How resilient is the food supply in times of crisis?

BlackRock Ideas Exchange Netherlands

As part of the BlackRock Ideas Exchange series, meetings with experts who explore big ideas and questions that occupy society today, the first Dutch edition focused on the state and future of food security. This document summarizes the event. You can watch the entire event here.

**Trends in food security**

While there has been significant progress in food production and hunger reduction worldwide over the past thirty years, this trend seems to have unfortunately been broken in the last five years. The experts mention several background trends playing a role in this. For example, the world’s population continues to grow, which means that we will have to produce more food in the next forty years than in the past 8,000 years. This is at odds with the emission reduction needed to halt climate change, while food security is increasingly under pressure due to growing droughts and floods. Additionally, the war in Ukraine played a role, affecting 6% of the world’s direct food supply. This not only concerns the loss of production from Ukraine, but the global increase in the price of fertilizer – for which gas is an important input – may also lead to disappointing production and higher food prices in the coming period.

At the moment, we are essentially stumbling from crisis to crisis. Our food supply system has become increasingly focused on efficiency, which has come at the expense of the system’s resilience. The risk is that we become too dependent on a limited number of crops or agricultural areas. The underlying trend is that the climate challenge and biodiversity need to be addressed in the long term.

**Food security: Structural problem or solvable challenge?**

The number of people suffering from hunger continues to increase, and we must ask ourselves whether we can accept this as a world. In addition, climate change is a significant challenge that requires adaptation and mitigation. Issues like overconsumption and food waste are other problems that call for a solution. Increasing geopolitical tensions surrounding ownership and distribution of food present an obstacle, increasingly hindering a constructive approach.

“As a result of the war in Ukraine, the debate in Europe has taken a huge swing. The desire to become 'food independent' is clearly visible in this context.”

Louise van Schaik, Head of Unit EU & Global Affairs, Clingendael Institute
To what extent, however, have we reached a fundamental tipping point? Thomas Malthus already warned of an unsustainable situation at the end of the nineteenth century, and the disaster scenario that the Club of Rome outlined fifty years ago never came to pass.

The experts’ response was that there are now indeed a number of more fundamental problems. First, it is questionable whether we can be satisfied with the current situation, given that the number of people suffering from hunger has increased significantly in recent years. Second, climate change is not a temporary but a structural factor that will increasingly impact food production. The influence of escalating geopolitical tensions also seems to be here to stay. This not only concerns the war in Ukraine: the risk of block formation that could disrupt food trade is lurking, but on the other hand, a lack of food security can also lead to political instability in countries, as we saw during the ‘Arab Spring’ of 2010-2012.

We need to produce more food in the next forty years than we have done in the past 8,000 years, while emissions must be significantly reduced.”

Leo den Hartog, former R&D director, Nutreco en professor, Wageningen University & Research

Thinking about concrete solutions?

This somewhat gloomy picture naturally raises the question of whether there are also solutions. The experts did not remain silent on this issue. For instance, much can be expected from knowledge transfer and innovation in agriculture, where the Netherlands – as an agricultural knowledge institute – can play an important role.

In addition, it was advised to move away from the ‘one size fits all approach’, which currently seems central. Regional circumstances call for a local approach, in which differentiation in food and consumption can make the food system resilient again. Building local resilience is also an important challenge, whereas building higher walls in Europe is not a solution.

Moreover, there is much to gain if we can reduce existing imbalances in the world. In many parts of the world, we see obesity, while there is hunger elsewhere. The fact that a significant portion of our food production in the West is thrown away indicates that there is still much to gain in terms of efficiency. There also needs to be a better mechanism for pricing the underlying costs of pollution so that the negative external impact of pollution is better reflected in the economy.

“The climate crisis will ensure that certain products in certain places in the world can no longer be produced, or be produced less effectively or less efficiently, while others can be produced more effectively.”

Marcel van Nijnatten, Coordinator Food Security Unit, Ministry of Agriculture and food quality

The positive note

When asked if we will be better off in terms of food security in about 10 years, opinions vary. The more optimistic view is that we will be able to tackle the problems in the next 10 years as well. History has shown that humanity—especially in the long run—is inventive and resilient. Having said that, climate change and the increasing polarization of geopolitical relations do indeed pose significant challenges that we will need to find appropriate solutions for in the next ten years. In that regard, the signal is certainly not entirely green.
The opinions expressed in this publication are as of February 2023 and are subject to change at any time due to changes in the market, the economic or regulatory environment or for other reasons. The information herein should not be construed as sales material, research or relied upon in making investment decisions with respect to a specific company or security. Any reference to a specific company or security is for illustrative purposes and does not constitute a recommendation to buy, sell, hold or directly invest in the company or its securities, or an offer or invitation to anyone to invest in any funds, BlackRock or otherwise, in any jurisdiction. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

In the U.S., this material is available for public distribution. In the UK and Non-European Economic Area (EEA) countries, this is issued by BlackRock Investment Management (UK) Limited, authorised and regulated by the Financial Conduct Authority. Registered office: 12 Throgmorton Avenue, London, EC2N 2DL. Tel: +44 (0)20 7743 3000. Registered in England and Wales No. 02020394, has issued this document for access by Professional Clients only and no other person should rely upon the information contained within it. For your protection telephone calls are usually recorded. Please refer to the Financial Conduct Authority website for a list of authorised activities conducted by BlackRock. In the European Economic Area (EEA) this is issued by BlackRock (Netherlands) B.V. is authorised and regulated by the Netherlands Authority for the Financial Markets. Registered office Amstelplein 1, 1096 HA, Amsterdam, Tel: 020 – 549 5200, Tel: 31-20-549-5200. Trade Register No. 17068311, has issued this document for access by Professional Clients only and no other person should rely upon the information contained within it. For your protection telephone calls are usually recorded. For qualified investors in Switzerland: this document is marketing material. This document shall be exclusively made available to, and directed at, qualified investors as defined in Article 10 (3) of the CISA of 23 June 2006, as amended, at the exclusion of qualified investors with an opting-out pursuant to Art. 5 (1) of the Swiss Federal Act on Financial Services (‘FinSA’). For information on art. B / 9 Financial Services Act (FinSA) and on your client segmentation under art. 4 FinSA, please see the following website: http://www.blackrock.com/finSA.

In Australia, issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (BIMAL). This material is not a securities recommendation or an offer or solicitation with respect to the purchase or sale of any securities in any jurisdiction. The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should therefore assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies. In Singapore, this is issued by BlackRock (Singapore) Limited (Co. registration no. 2000010143N). In Hong Kong, this material is issued by BlackRock Asset Management North Asia Limited and has not been reviewed by the Securities and Futures Commission of Hong Kong. In South Korea, this material is for distribution to the Qualified Professional Investors (as defined in the Financial Investment Services and Capital Market Act and its sub-regulations). In Taiwan, independently operated by BlackRock Investment Management (Taiwan) Limited. Address: 2F., No. 100, Songren Rd., Xinyi Dist., Taipei City 110, Taiwan. Tel: (02)23261600. In Japan, this is issued by BlackRock Japan. Co., Ltd. (Financial Instruments Business Operator: The Kanto Regional Financial Bureau. License No375, Association Memberships: Japan Investment Advisers Association, the Investment Trusts Association, Japan, Japan Securities Dealers Association, Type II Financial Instruments Firms Association.) For Professional Investors only (Professional Investor is defined in Financial Instruments and Exchange Act). In China, this material may not be distributed to individuals resident in the People’s Republic of China (“PRC”, for such purposes, excluding Hong Kong, Macau and Taiwan) or entities registered in the PRC unless such parties have received all the required PRC government approvals to participate in any investment or receive any investment advisory or investment management services. For Other APAC Countries, this material is issued for Institutional Investors only (or professional/sophisticated /qualified investors, as such term may apply in local jurisdictions) and does not constitute investment advice or an offer or solicitation to purchase or sell in any security, BlackRock funds or any investment strategy nor shall any securities be offered or sold to any person in any jurisdiction in which an offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. In Latin America, for institutional investors and financial intermediaries only (not for public distribution). This material is for educational purposes only and does not constitute investment advice or an offer or solicitation to sell or a solicitation of an offer to buy any shares of any fund or security and it is your responsibility to inform yourself of, and to observe, all applicable laws and regulations of your relevant jurisdiction. If any funds are mentioned or inferred in this material, such funds may not be registered with the securities regulators in any Latin American country and thus, may not be publicly offered in any such countries. The securities regulators of any country within Latin America have not confirmed the accuracy of any information contained herein. Investing involves risk, including possible loss of principal. The contents of this material are strictly confidential and must not be passed to any third party. Mexico. If any funds, securities or investment strategies are mentioned or inferred in this material, such funds, securities or strategies have not been registered with the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores, the “CNBV”) and thus, may not be publicly offered in Mexico. The CNBV has not confirmed the accuracy of any information contained herein. The provision of investment management and investment advisory services is a regulated activity in Mexico, subject to strict rules, and performed under the supervision of the CNBV. BlackRock Mexico, S.A. de C.V., Asesores Inversiones Independientes (“BLKMX”) is a Mexican subsidiary of BlackRock, Inc., registered with the CNBV as an independent investment advisor under registration number 30088-001-(14085)-20/04/17, and as such, authorized to provide Investment Advisory Services. BlackRock México Operadora, S.A. de C.V., Sociedad Operadora Fondos de Inversión (“BlackRock MX Operadora” and together with BLKMX, “BlackRock México”) are Mexican subsidiaries of BlackRock, Inc., authorized by the CNBV. For more information on the investment services offered by BlackRock México, please review our Investment Services Guide available in http://www.BlackRock.com/mx. Reliance upon information in this material is at your sole discretion. BlackRock México is not authorized to receive deposits, carry out intermediation activities, or act as a broker dealer, or bank in Mexico. Further, BlackRock receives revenue in the form of advisory fees for our mutual funds and exchange traded funds and management fees for our collective investment trusts.

©2023 BlackRock, Inc. All Rights Reserved. BLACKROCK is a trademark of BlackRock, Inc. All other trademarks are those of their respective owners.